

**01146**

**1989/06/20**

CONFIDENTIAL

EXCISE

15

BAS

SECRETARY'S MORNING SUMMARY FOR JUNE 20, 1989

1. CHINA: NPC SESSION POSTPONED

A SESSION OF THE STANDING COMMITTEE OF THE NATIONAL PEOPLE'S CONGRESS [NPC] SCHEDULED FOR TODAY HAS BEEN INDEFINITELY POSTPONED, ACCORDING TO PRESS REPORTS. THE POSTPONEMENT WAS NOT PUBLICLY ANNOUNCED BUT SURFACED WHEN A REPORTER CALLED THE NPC OFFICE.

COMMENT: THE LEADERSHIP IS FOCUSED ON CONVENING A CCP CENTRAL COMMITTEE PLENUM TO DISPOSE OF THE ISSUE OF PARTY SECRETARY-GENERAL ZHAO ZIYANG.

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2. CHINA: ECONOMIC CONSEQUENCES

A SURVEY OF CHINA'S ECONOMIC SECTORS SUGGESTS THAT REAL ECONOMIC GROWTH THIS YEAR WILL DECELERATE, THE BALANCE OF PAYMENTS WILL DETERIORATE, AND MODERNIZATION EFFORTS WILL COME ALMOST TO A HALT. ALTHOUGH MODERNIZATION IS NOT ESSENTIAL FOR CHINA'S NEAR-TERM ECONOMIC GROWTH, IT IS VITAL TO CHINA'S ASPIRATIONS TO JOIN THE DEVELOPED WORLD.

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DEPARTMENT OF STATE

19/EPG/CDR 4772 Date: 5/30/93

MR Cases Only: EO Classifications

( ) RELEASE ( ) DECLASSIFY  
(X) EXCISE (X) DECLASSIFY  
( ) DENY IN PART  
( ) DELETE Non-Responsive Info  
FOIA Exemptions 13/

TS authority to:  
( ) CLASSIFY as  
( ) DOWNGRADE  
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REFORMERS ALL

CHINA'S CONSERVATIVE POLITICAL LEADERS ARE NOT  
ANTI-REFORM; MANY ALLIED THEMSELVES WITH DENG XIAOPING A  
DECADE AGO TO LAUNCH REFORM AND MODERNIZE THE COUNTRY.

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CHINA'S RECORD GROWTH DURING THE PAST DECADE--AT AN AVERAGE ANNUAL RATE OF 10 PERCENT--DERIVES MAINLY FROM REFORM-INDUCED EXPANSION OF THE INTERNAL MARKET. FOREIGN TRADE AND INVESTMENT BEGAN ONLY RECENTLY TO CONTRIBUTE MEASURABLY TO GROWTH. BUT CHINA'S TECHNOLOGICAL ADVANCE IS IN LOCK STEP WITH EXPANSION OF FOREIGN TRADE AND INVESTMENT; TECHNICAL IMPROVEMENT IN MANUFACTURING, LONG IN GESTATION, NOW IS BECOMING APPARENT. IN THE MEDIUM TERM, CHINA AGAIN CAN DEPEND MORE ON DOMESTIC GROWTH

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FACTORS, BUT ONLY AT THE RISK OF LOSING CAREFULLY  
NURTURED FOREIGN MARKETS AND THE MOMENTUM OF TECHNICAL  
CHANGE.

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